

Message Text

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61

ACTION ARA-10

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FM AMEMBASSY QUITO

TO SECSTATE WASHDC NIACT IMMEDIATE 2430

C O N F I D E N T I A L QUITO 8491

STADIS//////////

FOR DELIVERY OPENING OF BUSINESS DEC 4.

FOR ARA: GRUNWALD AND ALLITTO: EB--SMITH, L--SCHWEBEL

E.O. 11652: GDS

TAGS: EINV ENRG PFOR EC

SUBJ: GULF NEGOTIATIONS

REF: QUITO 8444

1. I MET WITH THE SUPREME COUNCIL THIS AFTERNOON AND EXPRESSED TO THEM MY DEEP CONCERN AT THE LACK OF PROGRESS IN THE GULF NGOTIATIONS AND ESPECIALLY THE IMPLICATIONS OF THE COMMUNIQUE ISSUED BY THE INTER-MINISTERIAL COMMISSION YESTERDAY. I POINTED OUT THAT THE PROCEDURE RECOMMENDED BY THE COMMISSION, WHICH WOULD AMOUNT TO AN EXPROPRIATION OF GULF PRIOR TO HAVING ARRIVED AT AN AGREEMENT ON THE TERMS OF THE BUY-OUT, WAS CONTRARY TO THE UNDERSTANDING BETWEEN OUR TWO GOVERNMENTS, AS EMBODIED IN THE MEMORANDUM ISSUED BY THE SUPREME COUNCIL ON SEPTEMBER 30. I ALSO POINTED OUT THAT SUCH A PROCEDURE WOULD IMMEDIATELY TRANSFORM THE PROBLEM INTO AN INTER-GOVERNMENTAL MATTER, WITH ALL THE POSSIBLE NEGATIVE CONSEQUENCES THEREOF. FINALLY, I SAID THAT I HAD BEEN FOLLOWING THE NEGOTIATIONS CLOSELY AND THAT THE CHARGES AGAINST GULF MADE BY THE COMMISSION WERE COMPLETELY CONTRARY TO MY UNDERSTANDING OF WHAT HAD BEEN GOING ON. I ASKED THAT THE SUPREME COUNCIL TAKE NECESSARY MEASURES TO GET THE NEGOTIATIOONS BACK ON

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TRACK AND TO AVOID THE PROBLEMS I HAD OUTLINED.

2. PRESIDENT POVEDA TLLD ME THAT THE SUPREME COUNCIL ALSO HAD BEEN VERY CONCERNED ABOUT THE LACK OF PROGRESS IN THE NEGOTIATIONS AND THAT THE DECLARATION ISSUED BY THE COMMISSION WAS COMPLETELY OUT OF ORDER. HE SAID THAT THE COUNCIL HAD DECIDED TO TRANSFORM THE NEGOTIATIONS BY ELEVATING THEM TO THE CABINET LEVEL. SPECIFICALLY

THE MINISTER OF FINANCE WOULD BE PUT IN CHARGE OF THE NEGOTIATIONS; THE ROLE OF THE PRESENT MEMBERS OF THE COMMISSION WOULD BE CONFINED TO SIMPLY PROVIDING TECHNICAL ADVICE.

3. I THEN POINTED OUT THAT THE DECEMBER 31 DEADLINE ANNOUNCED BY THE COMMISSION WOULD NOT PERMIT SUFFICIENT TIME TO SATISFACTORILY COMPLETE THE NEGOTIATIONS. THE PRESIDENT STATED THAT THE DECEMBER 31 DEADLINE HAD NOT STANDING WHATSOEVER, THAT IT WAS A DECISION TAKEN BY THE COMMISSION AT A LOW LEVEL, AND THAT THE NEGOTIATIONS WOULD PROCEED UNTIL SATISFACTORILY CONCLUDED.

4. I HAVE SINCE LEARNED FROM THE LOCAL MANAGER OF GULF THAT SHORTLY BEFORE I WENT TO THE PALACE HE WAS CALLED IN BY THE MINISTER OF FINANCE WHO CONFIRMED THAT HENCEFORTH HE WOULD BE IN CHARGE OF THE NEGOTIATIONS. THE MINISTER TOLD HIM THAT HIS MAIN ROLE WOULD BE TO WORK OUT THE TERMS OF PAYMENT WITH GULF AND THAT COL. MIRANDA, THE GENERAL MANAGER OF CEPE AND TITULAR HEAD OF THE MINISTERIAL COMMISSION WOULD NEGOTIATE WITH GULF CONCERNING THE METHOD OF ARRIVING AT A VALUATION. THE MINISTER SAID THAT MIRANDA WOULD NEGOTIATE PERSONALLY WITH GULF AND THAT HE WOULD BE ACCOMPANIED BY THE UNDER SECRETARY OF FINANCE, A NAVAL CAPTAIN, WHO, THE MINISTER SAID, THOUGHT EXACTLY AS HE THE MINISTER DID. O'BRIEN TOLD ME THAT HIS PRINCIPALS IN CORAL GABLES HAD BEEN PREPARING A PRESS RELEASE, PRESUMABLY REFUTING THE COMMUNIQUE ISSUED BY THE COMMISSION, BUT THAT HE WOULD NOW PUT A STOP TO THAT.

5. COMMENT: I BELIEVE THAT MY REQUEST TO SEE THE SUPREME COUNCIL MAY HAVE PRECIPITATED THEIR DECISION TO TAKE THE NEGOTIATIONS OUT OF THE HANDS OF THE INTER-MINISTERIAL COMMISSION AND PUT THEM IN CHARGE OF THE MINISTER OF FINANCE. FROM WHAT WE KNOW ABOUT THE LATTER (HE WAS ONLY NAMED A WEEK OR SO AGO) HE IS A COMPETENT AND FAIR-MINDED INDIVIDUAL, WHO SHOULD UNDERSTAND THE NECESSITY

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FOR ECUADOR'S ECONOMIC FUTURE OF ARRIVING AT A SATISFACTORY AGREEMENT WITH GULF.
BLOOMFIELD

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